
Trade and trade policy adjustment to the European Union Hungary's experience and lessons

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IWE CERSHAS

Workshop on enhancing Ukraine's integration
chances

Kyiv, 24 October 2014

Legal framework of the adjustment

- Association phase
 - Association (Europe) Agreement
 - improved market access
 - Copenhagen criteria and their assessment
 - market economy + competitiveness
 - Pre-accession phase
 - Programme of legal harmonisation
 - adapting the acquis
 - internal market harmonisation
 - Negotiations on accession
 - full harmonisation
 - temporary measures
 - Membership
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Association Agreement (1)

Starting position and objectives of Hungary

- Trade: general objectives
 - consolidation of the existing position
 - extension of market access preferences
 - changing „state-trading” status
 - Trade: industry
 - free trade (duties, QRs)
 - complete timetable (no interim examination and conditionality)
 - asymmetry
 - Trade: agriculture
 - immediate and substantial concessions
 - asymmetry
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Association Agreement (2)

Outcome and compromises

- Complete timetable –achieved
 - Strong asymmetry – achieved
 - But: tariff quotas for sensitive industrial products (footwear, textiles, glass, electrical lighters, cars)
 - Agriculture
 - no free trade: concessional tariff quotas
 - different levels of utilisation
 - improved market access
 - no higher selling prices
 - Decisive role of the internal economic situation
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Association Agreement (3)

Trade effects

- Low basis, relatively low share of the EU
 - Quick and strong reorientation (exports and imports)
 - Substantial trade deficit
 - supply side shortages
 - low level of competitiveness
 - Social costs
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Pre-accession phase (1)

Use of protective trade policy measures

- General safeguard clause (GATT/WTO) – used by HU
 - Anti-dumping clause – often used by the EU
 - BOP difficulties – used by Hungary
 - Restructuring clause only for HU
 - NTBs (agriculture) – used by both sides (licensing, animal health, reference prices etc.)
 - Rules of origin
 - Competition rules
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Pre-accession phase (2)

Major fields of trade policy harmonisation

- Multilateral commitments (WTO)
 - Introduction of the Combined Nomenclature
 - Customs free zones
 - Abolishing import charges and fees – erga omnes
 - Global quota on consumer products: eliminated in 2000 – erga omnes
 - Safeguard legislation: in line with the WTO
 - Anti-dumping and countervailing measures: gradual approximation
 - Substantial approximation in trade related fields (labelling, safety requirements, consumer protection etc.)
 - Transparency but problems of application and of implementing
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Pre-accession phase (3)

Trade policy deviations and slippages

- Customs duty changes – erga omnes
 - Import surcharge – BOP – erga omnes
 - Infant industry and restructuring clause – against EU import (chemicals, wood and paper, glass)
 - Monitoring – erga omnes
 - Safeguard measures – mainly against non-EU members
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Pre-accession phase (4)

Determinants and stability of trade policy

- Strategic objective of integration in the WE and the EU (soft power): moderating effect
 - Macroeconomic policies – main determinant
 - Sectoral considerations (safeguards) – often initiated by foreign companies
 - Agriculture: tensions of protectionism on both sides (political sensibility + uncertainty of the Hungarian agricultural policy)
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Pre-accession phase (5)

Trade effects

- Decisive and stable share of the EU
 - Advanced economic transformation
 - success of market oriented reforms
 - massive privatisation
 - competitive environment and attitudes
 - Economic restructuring
 - inflow of FDI
 - technological upgrading
 - joining the international production chains
 - growing competitiveness
 - Stable surplus of the trade balance
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Membership (1)

Trade policy environment

- Practically no national trade policy
 - But: articulation of interests and cooperation with member states and the European institutions
 - Effects of the EU's FTAs and trade policy regime
 - Increased role of export facilitation and promotion
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Membership (2)

Main trade effects

- Substantial growth of overall trade
 - Substantial growth of intra-NMS trade
 - Relative decline of the EU15's share
 - Growth of extra-EU trade
 - partially due to the 2008-2009 economic crisis
 - Further technological upgrading (FDI!)
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Conclusions and lessons (1)

■ Political determination

- integration in the EU: pro-development and stabilising factor (V4 countries!)
- domestic political and social support
- clear and honest information of the society

■ Clear definition of interests

- interaction between administration, business and society
 - regular and prompt consultations, involvement of the stakeholders in the formulation of the position and later in the implementation
 - capability to build coalitions with member states
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Conclusions and lessons (2)

- Role of macroeconomic policy and environment
 - predictability
 - transparency
 - credibility
 - Stability of trade policy
 - soft power of the EU (!)
 - but: possibility of temporary measures and deviations on the legal basis of the agreement
 - but: resistance against misuse of such measure
 - stability of the trade policy administration is desirable
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Thank you!

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